

**Los Angeles County
Board of Supervisors**

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June 15, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

John F. Schunhoff, Ph.D.
Interim Director

Gail V. Anderson, Jr., M.D.
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912
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**APPROVAL OF AMENDMENT TO
INPATIENT INTENSIVIST AND HOSPITALIST SERVICES AGREEMENT
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of an Amendment to the Inpatient Intensivist and Hospitalist Services Agreement to ratify long term service level requirements, implement fee adjustments that will provide cost savings to the County, and add non-substantive language.

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Interim Director of Health Services (Interim Director), or his designee, to execute Amendment No. 6 to Agreement No. 75936 for Inpatient Intensivist and Hospitalist (IIH) Services with Primary Critical Care Medical Group (PCCMG), effective January 1, 2010, to: i) ratify the long term service levels required by Rancho Los Amigos National Rehabilitation Center (Rancho); ii) reduce the monthly Base and Administrative Costs effective January 1, 2010; and iii) add non-substantive language to clarify certain provisions, with no change to the November 30, 2010 expiration date of the Agreement.



PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended action will allow the Interim Director, or his designee, to execute an Amendment, substantially similar to Exhibit I, to the Agreement with PCCMG. The recommended Amendment includes language to ratify agreed upon service levels associated with Rancho's long term need for IIH Services. PCCMG implemented its provision of IIH Services at Rancho in a tiered manner, in response to the closure of the Emergency Department and Inpatient Services at Martin Luther King, Jr. – Harbor Hospital (MLK-Harbor). The Agreement identified the minimum staffing levels required for the periods of time designated for Immediate Need (Tier 1) and Short Term Need (Tier 2) services, and clearly established that the Agreement would be amended to reflect minimum service levels, agreed upon by the parties, in the event that Long Term Need (Tier 3) staffing were required. Although service levels were agreed upon by the parties, those service levels were not previously incorporated into the Agreement.

The Amendment also reduces the monthly Base and Administrative Costs for Rancho by 36 percent effective January 1, 2010. In an effort to reduce costs for Rancho, staff approached PCCMG in late 2009 with a request to renegotiate the Base and Administrative Cost under the Agreement. Following a number of discussions, PCCMG agreed to lower the monthly fees it charges for base and administrative costs, resulting in significant savings to the County, with no negative impact to services. PCCMG has also agreed that invoices to County will reflect the lower base and administrative cost rates, beginning with the invoice for services rendered in June 2010. In addition, on this particular invoice, PCCMG will provide a one-time credit of \$80,000 in order for County to realize the savings for the preceding five months (January through May 2010).

In addition, the Amendment adds non-substantive language to help clarify the type and use of additional administrative staff PCCMG employs to support its services under the Agreement. Any and all costs associated with the performance of Administrative Services are borne by PCCMG under its Base and/or Administrative fee.

Implementation of Strategic Plan Goals

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Currently the County's maximum annual obligation under the Agreement is \$5.9 million.

The monthly Base and Administrative Personnel Cost to County for services at Rancho will be reduced by 36 percent, effective January 1, 2010, from \$44,000 to \$28,000 (a monthly savings of \$16,000), for a total savings of \$176,000 through the remaining term of the Agreement.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 28, 2006, your Board approved and executed Agreement No. 75936 with PCCMG, for the period December 1, 2006 thru November 30, 2007, to arrange for the provision of inpatient intensivist and hospitalist services at MLK-Harbor by its physicians and mid-level practitioners (i.e., either qualified nurse practitioners or physician assistants). Under authority approved by your Board on January 23, 2007, Amendment No. 1 to the PCCMG Agreement was executed on May 3, 2007 to revise MLK-Harbor's Maximum Obligation from \$3.0 million to \$4.5 million annually to adjust for

transferring the responsibility for physician program billing and reimbursement from PCCMG to the County.

Pursuant to delegated authority granted by your Board on August 13, 2007, the Director executed Amendment No. 2 to delete IIH Services for MLK-Harbor, allowed for the provision of IIH Services at Rancho, under the same terms and conditions, and delegated authority to the Director of Health Services to add additional County health care facilities. Rancho implemented IIH Services in a tiered manner [Tier 1 for the period August 14, 2007 thru August 31, 2007, Tier 2 for the period September 1, 2007 through the term of the Agreement (at the time, November 30, 2007), and Tier 3 beginning on a date determined by the Director, or his designee, at service levels agreed to by the parties], with the understanding that the Agreement would be amended by the Director, in conjunction with the Chief Executive Office (CEO), and Contractor to reflect the service levels to which the parties agreed in the event that Long Term Need staffing were required. On November 20, 2007, Amendment No. 3 was executed, implementing Tier 3 services and extending the term of the Agreement through November 30, 2010. However, although service levels were agreed upon by the parties, the service levels were not incorporated into the Amendment.

Subsequent Amendments were executed to add IIH Services for Harbor/UCLA Medical Center and LAC+USC Medical Center, bringing the County's total annual maximum obligation to \$5.9 million.

In support of the IIH Services it provides, PCCMG is required to perform Administrative services in the form of an IIH Medical Director who serves as the primary point of contact to Rancho either on-site or by telephone on a 24/7 basis. In its sole-discretion, the Contractor also provides additional administrative staff, including clerical support. Such additional administrative staff may be co-located at Rancho (and Rancho may provide work space and use of office equipment), but reports directly to the Contractor and only supports the Contractor's services under the Agreement.

The Agreement may be terminated with or without cause by County with a 30-day advance written notice to Contractor.

Exhibit I includes the recently adopted Defaulted Property Tax Reduction Ordinance language.

County Counsel has reviewed and approved Exhibit I as to use and form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendation will allow the provision of IIH Services to continue uninterrupted at a reduced cost.

The Honorable Board of Supervisors

6/15/2010

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. Schunhoff". The signature is fluid and cursive, with a large initial "J" and "S".

JOHN F. SCHUNHOFF, Ph.D.

Interim Director

JFS:ja

Enclosures

c: Executive Office, Board of Supervisors
Chief Executive Office
County Counsel

Contract No. 75936

**INPATIENT INTENSIVIST AND HOSPITALIST
SERVICES AGREEMENT**

AMENDMENT NO. 6

THIS AMENDMENT is made and entered into this _____ day
of _____ 2010,

by and between

COUNTY OF LOS ANGELES
(hereafter "County"),

and

PRIMARY CRITICAL CARE
MEDICAL GROUP
(hereafter "Contractor")

WHEREAS, reference is made to that certain document entitled "INPATIENT INTENSIVIST AND HOSPITALIST SERVICES AGREEMENT" dated November 30, 2006, and further identified as County Agreement No. 75936, and any amendments thereto (all hereafter "Agreement"); and

WHEREAS, pursuant to California Health and Safety Code, Sections 1441 and 1445, County has established and operates, through its Department of Health Services (hereinafter "Department"), various County hospitals, comprehensive health centers and health centers, including the Rancho Los Amigos National Rehabilitation Center (hereinafter "Rancho"); and

WHEREAS, under Amendment No. 2 the parties amended the Agreement to transfer the provision of Inpatient Intensivist and Hospitalist services at Martin Luther King, Jr. – Harbor Hospital (hereafter "MLK-H") and to Rancho as a result of the closure of the Emergency Department and Inpatient Services at MLK-H;

WHEREAS, services at Rancho were divided into three tiers:[Tier 1 (Immediate

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Need) for the period August 14, 2007 through August 31, 2007' Tier 2 (Short Term Need) for the period September 1, 2007 through November 30, 2007); and, Tier 3 (also referred to as "Long Term Need") beginning on a date determined by the Director of Health Services ("Director"), or his designee, which could occur during the Tier 2 time period, continuing through the term of the Agreement, and at service levels agreed to by the parties; and

WHEREAS, under Amendment No. 3, Tier 3 services were implemented and the term of the Agreement was extended to and including November 30, 2010; and

WHEREAS, the parties agree that the emergent circumstances that led to the execution of the Agreement, and the associated scope of work, required Contractor to apply substantial resources toward the implementation of the services, and warranted extraordinary monthly Base and Administrative Costs; and

WHEREAS, the parties are desirous of amending the Agreement to ratify the parties agreed upon service levels associated with Rancho's Long Term Need, clarify certain provisions and reduce the monthly Base and Administrative Costs, as the parties agree that operations at Rancho and the other County facilities (Harbor-UCLA Medical Center and LAC+USC Medical Center) have stabilized, making it feasible for Contractor to immediately scale back its staffing, and reduce its base and administrative rates effective January 1, 2010; and

WHEREAS, the Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by the parties.

NOW, THEREFORE, the parties agree as follows:

1. This Amendment shall be effective January 1, 2010.

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2. Exhibit C, DESCRIPTION OF SERVICES – RANCHO, Paragraph 2. C., Tier 3 Services – Long Term Need, shall be deleted in its entirety and replaced with the following:

“C. Tier 3 Services – Long Term Need

Contractor shall provide Intensivist 1 or Intensivist 2 coverage for the ICU, for the following shifts:

- All Evening Shifts
- All Weekend Day Shifts
- All Weekday Day Shifts

Contractor shall provide Hospitalist coverage for Med./Surg, for the following shifts:

- Weekend Evening Shifts
- Weekend Day Shifts on an as-needed basis
- Weekday Day Shifts on an as-needed basis
- Weekday Evening Shifts on an as-needed basis

Contractor shall provide Hospitalist coverage for other areas, for the following shifts:

- All shifts on an as-needed basis

3. Exhibit C, DESCRIPTION OF SERVICES – RANCHO, Paragraph 2.D., Administrative Services, shall be deleted in its entirety and replaced with the following:

"D. Administrative Services: Administrative services shall be provided in the form of an Inpatient Intensivist/Hospitalist Medical Director (herein “Medical Director”) provided by Contractor as the primary contact between

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Contractor and Rancho. Contractor's Medical Director or designee will be available either on-site or by telephonic contact on a 24 hour/7 day basis.

Contractor shall also provide additional administrative staff, including clerical support, as Contractor determines, to perform and support services required under this Agreement. Any and all costs associated with the performance of Administrative Services shall be borne by Contractor under its Base and/or Administrative Cost. Such additional administrative staff may be co-located at Rancho, shall report directly to Contractor and only support Contractor's services under this Agreement. Rancho may provide work space and use of office equipment the Contractor's administrative staff described herein.

4. Exhibit D, BILLING AND PAYMENT – RANCHO, Paragraph 3, PAYMENT AMOUNT, shall be deleted in its entirety and replaced with the following:

"3. PAYMENT AMOUNT: County shall compensate Contractor for all Inpatient Intensivist and Hospitalist services provided to County patients hereunder in accordance with the provisions below.

County shall compensate Contractor for medical services on a per shift, per Intensivist/Hospitalist basis. For example, if two (2) Hospitalists are required to cover Weekend Day shifts, Contractor shall be compensated at the Hospitalist rate times two (2).

If Contractor performs services for less than a shift, i.e., partial shift [less than twelve (12) consecutive hours], but at least two consecutive hours, Contractor shall be paid for the partial shift by prorating the number of hours worked. Partial shift hours shall be rounded up to the nearest hour. Contractor

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shall not receive compensation for a partial shift unless medical services are performed for at least two consecutive hours of a shift.

In the event that one physician covers a partial shift and a different physician covers the remainder of the shift such that a full shift is staffed, Contractor shall receive payment for the full shift. Payment shall be made, by hours worked, by shift rate, and by Intensivist/Hospitalist rate.

In the event that one physician covers a partial shift and a different physician covers a partial shift such that the partial shifts are consecutive but a full shift is not staffed, Contractor shall receive payment for the full shift. Payment shall be made, by hours worked, by shift rate, and by Intensivist/Hospitalist rate.

Rancho's Medical Director shall assure that such medical services were indeed provided and that Hospital maintains appropriate time records to reflect the provision of same.

Contractor agrees that should any physician perform services not requested and specified in Exhibit "C", such services shall be deemed to be a gratuitous effort on the part of Contractor and the physician, and neither party shall have any claim against County for such services.

For the period August 14, 2007 through and including November 30, 2007, County's maximum obligation to Contractor for services as set forth in Exhibit "C" shall not exceed One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000).

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For the period December 1, 2007 through and including November 30, 2010, County's maximum obligation to Contractor for services as set forth in Exhibit "C" shall not exceed Thirteen Million Five Hundred Thousand Dollars (\$13,500,000).

For Tier 1 – Immediate Need, County's reimbursement to Contractor shall consist of the following components:

1. Base Costs*
2. Medical Staff Services

*Includes benefits, insurance, corporate administrative personnel, and other miscellaneous fixed costs.

For Tier 2 and Tier 3 – Short Term and Long Term Need, County's reimbursement to Contractor shall consist of the following components:

1. Administrative Personnel
2. Base Costs*
3. Medical Staff Services

*Includes benefits, insurance, corporate administrative personnel, and other miscellaneous fixed costs.

County's Reimbursement Rates to Contractor (In effect through December 31, 2009):

	<u>Monthly</u>
Administrative Personnel	\$32,000
Base Costs	\$12,000

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Medical Staff –	<u>Shift Rates</u>
- Intensivist 2	\$ 2,100
- Intensivist 1	\$ 1,800
- Hospitalist	\$ 1,500

County's Reimbursement Rates to Contractor (Effective January 1, 2010):

	<u>Monthly</u>
Administrative Personnel	\$20,000
Base Costs	\$ 8,000
Medical Staff –	<u>Shift Rates</u>
- Intensivist 2	\$ 2,100
- Intensivist 1	\$ 1,800
- Hospitalist	\$ 1,500

5. Additional Provisions Paragraph 37, CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM, shall be added to Agreement as follows:

"37. CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM

A. Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

B. Unless Contractor qualifies for an exemption or exclusion,

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Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles Code Chapter 2.206."

6. Additional Provisions Paragraph 38, TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM, shall be added to Agreement as follows:

"38. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM

Failure of Contractor to maintain compliance with the requirements set forth in the Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program paragraph of the Additional Provisions shall constitute default under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of Contractor to cure such default within ten (10) days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

7. Except for changes set forth hereinabove, the wording of the Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director of Health Services

CONTRACTOR

By _____
(Printed Name)

(Signature)

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL:

By _____
Deputy County Counsel

Amend No. 6 – PCCMG

05/25/2010 at 3:12 p.m.